



**ANNUAL REPORT ON THE  
CHARITABLE GAMING ACTIVITIES OF THE  
DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES  
FOR FISCAL YEAR 2010**

**Matthew J. Lohr  
Commissioner**

**Annual Report on the Charitable Gaming Activities of the  
Virginia Department of Agriculture and Consumer Services for Fiscal Year 2010**

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**Executive Summary**

The Office of Charitable Gaming (OCG) in the Virginia Department of Agriculture and Consumer Services is tasked with the licensing, training, inspection, and auditing of organizations, personnel, and events involving charitable gaming in the Commonwealth. The authority to carry out these functions is provided in Title 18.2, Chapter 8, of the Code of Virginia.

This report includes information on key program metrics such as registrations and permits, gaming manager training sessions, on-site inspections of gaming operations, financial report reviews, audits, and enforcement efforts.

During calendar year 2009, charitable gaming organizations reported over \$279 million in gross sales, of which approximately \$35 million or 12.6% of gross sales was donated for charitable, community, educational or religious purposes.

OCG collected \$2,802,333 in fees that was deposited to the Commonwealth's general fund.

## **LEGISLATIVE MANDATE**

Section 18.2-340.18(8) of the Code of Virginia requires the Department to submit an annual report to the Governor and the General Assembly regarding financial information and recommendations for legislation applicable to charitable gaming in the Commonwealth.

## **GENERAL OVERVIEW**

The Office of Charitable Gaming (OCG) in the Virginia Department of Agriculture and Consumer Services is tasked with the licensing, training, inspection, and auditing of all organizations, personnel, and events related to charitable gaming in the Commonwealth.

Charitable gaming continues to be a vital source of funding for qualified non-profit organizations in Virginia. Permitted organizations are required to use at least 10% of their gross sales for charitable purposes. During calendar year 2009, those organizations reported over \$279 million in gross sales, of which approximately \$35 million or 12.6% of gross sales was donated for charitable, community, educational or religious purposes.

## **FINANCIAL INFORMATION**

The general fund appropriation for OCG during FY 2010 was \$1,789,564. OCG also collected \$2,632,878 in audit administrative fees, \$111,875 in permit application fees, \$56,940 in late fees, and \$640 in other revenue, for a total of \$2,802,333 in fees that was deposited to the Commonwealth's general fund.

## **ORGANIZATION AND ACCOMPLISHMENTS**

OCG is committed to providing timely and professional services to the charitable gaming community. To facilitate the delivery of these services, OCG is divided into three functional areas: Licensing and Registrations, Audit, and Enforcement and Inspections.

### **Licensing and Registrations Unit**

During this reporting period, the Licensing and Registrations Unit issued 393 permits to qualified organizations to conduct bingo and raffles, and 44 permits to conduct raffles. The unit also registered 73 bingo managers and 71 bingo callers, and issued 20 charitable gaming supplier permits.

### **Audit Unit**

During this reporting period, OCG received 473 annual charitable gaming financial reports reflecting approximately \$279 million in total gross sales. The Audit Unit completed 196 audits and identified over \$2.8 million in unreported gross gaming sales. Unit staff also made

recommendations to organizations to help facilitate their compliance with the statute and regulations and to maintain better control of their charitable assets.

On average, permitted organizations donated 12.6% of their gross sales for charitable, community, educational or religious purposes. However, 160 organizations did not meet the minimum 10% use-of-proceeds requirement. These organizations also left an aggregate total of approximately \$2.7 million in their bank accounts and reported an aggregate cash shortage of almost \$590,000. Moreover, 43 of these organizations paid out more in bingo prizes than they reported in bingo sales. Staff is working with these organizations to help them identify ways to meet the use-of-proceeds requirement.

### **Enforcement and Inspections Unit**

During this reporting period, OCG inspectors completed 1,048 inspections and conducted 91 game management training sessions. These included 35 bingo manager and bingo caller sessions, 32 sessions for organizations that were new to gaming or had requested training assistance, and 24 sessions that had resulted from specific needs identified during audits.

Enforcement staff initiated 22 investigations based on information that was received via the OCG complaint hotline, developed through the audit or inspection processes, or reported by members of organizations who were concerned about potential violations of the law or the regulations. Two noteworthy enforcement cases included investigations in Accomack and Gloucester counties, as follows.

When the finance officer of an American Legion Post on the Eastern Shore learned that the organization's bingo manager, Daniel Kovach, had been arrested elsewhere on bad check charges, the finance officer reviewed the organization's gaming funds, discovered that \$2,000 was missing, and reported the crime to OCG. The Special Agent assigned to this case obtained a full confession from Kovach, and on June 1, 2009, Kovach was indicted by a grand jury on one count of embezzlement. He agreed to turn himself in but instead moved to another location. The OCG Special Agent tracked Kovach to a new place of employment in Virginia Beach where she and members of that city's police department took him into custody. Kovach was ultimately tried and convicted in Accomack County on one count of felony embezzlement. On February 4, 2010, Kovach was sentenced to two years in the penitentiary with all but 30 days suspended, and ordered to pay \$2,000 in restitution.

Molly Ryan Robb, the game manager for the York Amateur Softball Association's bingo game, was charged with embezzlement after an investigation by OCG revealed that Robb had taken more than \$43,000 from the organization's bingo funds over a 10-month period. Robb was found guilty of felony embezzlement in Gloucester County Circuit Court. On September 8, 2009, Robb was sentenced to 15 years in the penitentiary with all but six months suspended. She will be on supervised probation for eight years and was ordered to make full restitution to the organization.

## **2010 LEGISLATIVE ISSUES**

OCG had no legislative recommendations for the 2010 Session of the General Assembly. However, legislators passed several bills related to charitable gaming that included:

HB 941, which prohibits the use of equipment used in the conduct of charitable gaming that resembles slot machines or which has flashing lights and sounds that are intended to entice individuals to play;

HB 942, which requires that any proposed action by OCG to revoke, suspend, or deny a permit to conduct charitable gaming must first be reviewed and approved by the Charitable Gaming Board; and

HB 950, which made substantial changes to the charitable gaming statute, including (i) authorizing full automatic daubing, (ii) limiting the number of bingo games that qualified organizations may play per session, (iii) requiring the Charitable Gaming Board to adopt regulations prescribing the conditions under which nonmembers of an organization may participate in the conduct of bingo, and (iv) eliminating winner-take-all games and allowing up to six progressive games per session.